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No. 88-2102

In The

Supreme Court of the United States

October Term, 1988

JAMES STEWART, PATRICIA HITCHCOCK O'CONNELL and SAMUEL TAYLOR both as co-trustees of the Second Residuary Trust of the Last Will of ALFRED H. HITCHCOCK, MCA INC., and UNIVERSAL FILM EXCHANGES, INC.

Petitioners,

vs.

SHELDON ABEND, dba
AUTHORS RESEARCH COMPANY,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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COUNTER-STATEMENT OF QUESTIONS PRESENTED

As discussed below, the petition for a writ of certiorari should be denied because there is no direct conflict between the decision of the United States Court of Appeals for the Ninth Circuit in *Abend v. MCA, Inc.*, 863 F.2d 1465 (9th Cir. 1989) and the decision of the Court of Appeals for the Second Circuit in *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir. 1976), *cert. denied*, 431 U.S. 949 (1977). *Abend* and *Rohauer* are distinguishable on their facts. Unlike *Rohauer*, in *Abend* the material protected by a renewal copyright was repeatedly copied and then commercially exploited in theaters and the new home videocassette market. In light of the adverse criticism of *Rohauer* and the subsequent enactment of the Copyright Act of 1976, the Court of Appeals for the Second Circuit is unlikely to extend *Rohauer*, which it has already referred to as a "minor" "aberration" in the law of that Circuit,[1] to unauthorized commercial use of copyrighted material. Unless and until the Second Circuit, or any other Court, extends *Rohauer* to facts such as those present in *Abend*, review by certiorari would be premature. Further, petitioners' alternative argument that the fair use defense excuses the unauthorized commercial exploitation of a copyrighted fictional work in competition with its owner, has never been adopted by any Court, was properly and unanimously rejected by the Court in *Abend*, and is frivolous.

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[1] *Filmvideo Releasing Corp. v. Hastings*, 668 F.2d 91, 93 (2d Cir. 1981).

COUNTER-STATEMENT OF QUESTIONS PRESENTED (continued)

Accordingly, review by writ of certiorari is unnecessary and, at best, premature. However, pursuant to Rules 22.1 and 34.2 of this Court's Rules, respondent submits the following counter-statement of the questions presented by petitioners' petition.

1. Whether this Court should abandon a century of law and established practices, and create a rule providing that a derivative copyright protects more than the matter added to an underlying work and, instead, also grants the owners of all derivative works new property rights in the underlying copyrighted materials, enabling them to commercially exploit, copy, publish and perform the underlying materials without the consent of the owners of the renewal copyrights in those materials?

2. Whether certain termination provisions of the Copyright Act of 1976 which Congress purposefully made inapplicable to works prepared before 1978, may be invoked to create, "by analogy," a judicial rule that a derivative copyright creates ownership rights in underlying copyrighted materials, despite the fact that (1) an express provision of the Copyright Act of 1976 precludes such a result; and (2) Congress refused to extend the termination provisions to the renewal copyrights of works in existence before 1978?

3. In light of the established law that a derivative copyright does not grant rights in the underlying copyright and that an author may not convey his successor's contingent interest in a renewal copyright, whether the fair use defense should be expanded beyond its statutory

COUNTER-STATEMENT OF QUESTIONS PRESENTED (continued)

limitations to provide motion picture producers with free licenses to commercially exploit the whole of fictional literary works protected by valid renewal copyrights, directly interfering and in competition with the rights of the owners of the renewal copyrights in the fictional works?

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JAMES STEWART, PATRICIA HITCHCOCK O'CONNELL and SAMUEL TAYLOR both as co-trustees of the Second Residuary Trust of the Last Will of ALFRED H. HITCHCOCK, MCA INC., and UNIVERSAL FILM EXCHANGES, INC.

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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Respondent Sheldon Abend respectfully submits this Brief in Opposition to the petition for writ of certiorari to the United States Court of Appeals for the Ninth Circuit.

STATEMENT OF THE CASE

1. The Copyright Act of 1909 and the Principles and Practices Associated with the Two-Term System of Copyright.

The result in *Abend* flows inexorably from a basic axiom of copyright law, the statutes, and the decisions of this Court. *Abend* is merely a reaffirmation of a well-established rule of law that has long been recognized, without challenge, by the motion picture industry since the inception of the Copyright Act of 1909 (the "1909 Act").

Section 24 of the 1909 Act provided for an initial and renewal term of copyright of 28 years each, and this two-term scheme is preserved under the Copyright Act of 1976 (the "1976 Act") as to works created before 1978. If an author survives to the 28th year of the original copyright term, he or she may then claim a second, "renewal" copyright in the work. If the author does not survive to the 28th year, the right to claim the renewal copyright vests in the author's statutory successors, namely the author's surviving spouse and children, if any, or the author's executor if the author died testate, or the author's next of kin. Congress granted a renewal copyright because "[i]t not infrequently happens that the author sells his copyright outright to a publisher for a comparatively small sum." H.R. Rep. No. 60-2222, 60th Cong., 2d Sess., p.14 (1909). The renewal copyright allows authors or their successors a second opportunity to control the work free of contracts made when the author was "in a poor bargaining postion" because copyrighted

material, "unlike real property and other forms of personal property, is by its very nature incapable of accurate monetary evaluation prior to its exploitation." 2 M. Nimmer, *Nimmer on Copyright*, §9.02 at 9-23 to 9-24 [Professor Nimmer's treatise is hereinafter cited as "___ *Nimmer on Copyright* ___"].[2] The renewal copyright also provided protection to the author's family, estate or next of kin, by acting as a "compulsory bequest of the copyright" to the designated statutory successors. *DeSylva v. Ballentine*, 351 U.S. 570, 584 (1956).

Although an author could, as a matter of contract law, agree to convey both the initial copyright and the renewal copyright he might live to obtain, *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), his agreement to convey the renewal copyright is ineffective if he dies before the right to renew vests in him. Since the deceased author's statutory successors are not bound by the author's first term contracts, continued use of the material protected by their independent renewal copyright without their consent constitutes infringement. These principles have been accepted and relied upon throughout this century.[3] From the inception of the 1909

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[2] Prior to his death in 1985, Professor Nimmer was co-counsel for respondent in the action filed in the District Court.

[3] *See, e.g., Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960) [Author's assignment of rights in renewal copyright completely unenforceable as to author's executor who obtained renewal copyright after author's death]; *DeSylva*, 351 U.S. 570, 582 (1956) ["(A)uthor cannot assign his family's renewal rights. . . ."]; *M. Witmark & Sons v. Fred Fisher Music Co.*, 125 F.2d 949, 950 (2d Cir. 1942) and at 38 F.Supp. 72, 74

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Act it was also universally understood that an author's agreement that a motion picture version of his work could be distributed in theatres during the renewal term would be rendered "worthless" if the author died before renewal. Frolich & Schwartz, *The Law of Motion Pictures*, 549 (1918). Although a motion picture is produced pursuant to an author's grant of rights in the original *and* renewal copyrights of the underlying literary material, the deceased author's statutory successors "could even proceed against the original grantee as an infringer, if distribution and exhibition of the picture were continued

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(S.D.N.Y. 1941) [If author had died before obtaining renewal copyright, his agreement to convey rights in renewal copyright would be ineffective]; *Fox Film Corp. v. Knowles*, 261 U.S. 326 (1923) [Deceased author's executor entitled to claim renewal copyright]; *Abend*, 863 F.2d 1465, 1476, *quoting Legislative History of the 1909 Copyright Act* K77 (E. Brylawski and A. Goldman, Eds. 1976); Amdur, *Copyright Law and Practice*, 541, 555 (1936); H.G. Ball, *Law of Copyright and Literary Property*, 197 (1944); Z. Chafee, *Reflections on Copyright Law: II*, 45 Colum. L. Rev. 719, 723, 726 (1945) [Despite purchase of author's rights in renewal copyright, "(e)verything depends on whether the author lives through the first term . . . . No matter what the author signs, he cannot cut off his widow's right to renew . . . . (T)he 1909 Act gives a posthumous veto power to the surviving relatives, ..."]; S.J. Brown, *Renewal Rights in Copyright*, 28 Cornell L. Q. 460, 470 (1943) ["obtaining the renewal term is a highly speculative venture at its best . . . ."]; Spring, *Risks and Rights in Publishing, Television, Radio, Motion Pictures, Advertising, and the Theater*, 95 (1952); Note, *Copyright Renewal*, 10 Air L. Rev. 198, 198-201 (1941); Note, *Copyright Renewal Rights*, 15 S. Cal. L. Rev. 108, 109-10 (1941); Note, *Right of Author to Assign Renewal Rights*, 17 Temp. L. Q. 299, 301 (1943); Note, *Assignment of Author's Renewal Interest*, 18 Ind. L. J. 318, 319 n. 18 (1943).

after renewal, ..." R. DeWolf, *An Outline of Copyright Law*, 128-29 (1925). This conclusion followed directly from the axiom that no one may exploit, copy or otherwise use material protected by a copyright unless either (1) they have a valid license from the owner of the copyright in the material, or (2) they own an interest in the copyrighted material. 1 *Nimmer on Copyright*, §3.07[A] at 3-23 to 3-24. Since the deceased author's consent is ineffective and since a derivative copyright in, *e.g.*, a motion picture only attaches to the additions to the underlying work, unauthorized theatrical re-release of a movie version of the literary work in the renewal term constitutes infringement of the statutory successor's renewal copyright.

This principle, which is the holding in *Abend*, was accepted without challenge by the motion picture industry since at least 1918. *See* Frolich & Schwartz and DeWolf, *supra*. In fact, in 1955 petitioner MCA, Inc.'s own in house counsel unqualifiably declared his and the industry's view:

> "If a motion picture company buys from an author all rights in a novel, it may validly copyright the motion picture photoplay in its own name and renew that copyright at the appropriate time. But if the author dies prior to time for renewal of the basic work, the widow may renew this copyright and thus deprive the company of any rights to continue to release the photoplay during the renewal term of the basic work."

S. Bricker ["Studio attorney, Universal Pictures Company, Inc."], *Renewal and Extension of Copyright*, 29 S. Cal. L.

Rev. 23, 43 (1955).[4] It is therefore beyond good faith dispute that "the prevailing understanding of the 1909 Act was that the owners of renewal rights in a copyrighted work might exercise a veto power over continued performance of a derivative work that had been created under a first-term grant." *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 183 (1985) (White, J., dissenting).

The motion picture industry, doing business in the context of these well-established principles, simply accepted the risk that renewal rights might not vest in the author and adjusted the price paid for the author's grant of rights downward to reflect this risk. In those instances where the author did not survive to renew, the motion picture producer negotiated a new license with the author's statutory successors. Of course, the statutory successor had a "veto power" over continued exhibition of a movie; on the other hand, however, the statutory successor could not force the movie's owner to distribute the movie. Therefore, the deceased author's statutory successor has a powerful incentive to provide the film's owner with sufficient profit to agree to distribute the film

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[4] *Accord*, Studies Prepared for the Subcomm. on Patents, Trademarks and Copyrights, Comm. on the Judiciary, U.S. Sen., 86 Cong., 1st Sess., Study No. 31, *Renewal of Copyright*, B. A. Ringer (June 1960) at 169-70; *Nimmer on Copyright*, § 45.1, at 177 (1963); E. Fulton Brylawski, *Renewal of Copyright in a Magazine Contribution: A Belated View*, 42 Geo. Wash. L. Rev. 737, 737 (1974). In short, the "commentators" who interpreted the law consistent with *Abend*, *see* petition at p.19, included not only the United States Register of Copyrights, Professor Nimmer and E. Fulton Brylawski, but also petitioner MCA, Inc.'s in house counsel.

for their mutual gain.[5] The 1909 Act merely ensured that the author's statutory successor would participate in the profits received when a work proved "to be a great success and lives beyond the term of twenty-eight years,. . . ." H.R. Rep. No. 2222, at 14.

2. The Copyright Act of 1976 and Congress' Creation of a Prospective Limitation on the Scope of the Termination Right While Re-Codifying the Rule that A Derivative Copyright does not Convey Rights in the Basic Copyright.

The 1976 Act continues the preexisting renewal scheme for works in existence before 1978, but provides that the copyrights in works created after January 1, 1978, endure for a single term. In lieu of a separate renewal copyright, Congress provided the author and his statutory successors with a right to terminate grants or

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[5] Before *Rohauer*, new licenses with authors' statutory successors allowed continued distribution of such films as "My Fair Lady," "The Sound of Music," "Gone with the Wind," and "Doctor Zhivago." Melniker & Melniker, *Termination of Transfers and Licenses Under the New Copyright Law*, 22 N. Y. L. Sch. L. Rev. 589, 612-13, n.118 (1977); *Trust Co. Bank v. MGM/UA Entertainment Co.*, 593 F.Supp. 580, 584 (N.D. Ga. 1984). *See, also* I. Karp, *From Roth to Rohauer: Twenty Years of Amicus Briefs*, 25 Bull. Copyright Soc'y U.S.A. 1, 16 (1977) ["(T)he motion picture industry for decades has interpreted the renewal clause as requiring a motion picture company to obtain a new license to exhibit a film based on a book or play, when the copyright is renewed by the author's surviving family. And countless such licenses have been granted."].

licenses after 35 years.[6] These termination provisions were approved after an "accommodation" had been reached among the Register of Copyrights and those representing authors and motion picture studios. H.R. Rep. No. 83, 90th Cong., 1st Sess. 90 (1967). The Register of Copyrights and representatives of authors succeeded in extending the right of termination to an author who survived as well as a deceased author's statutory successors, thus prospectively departing from *Fred Fisher Music Co.* The Motion Picture Association of America, a movie industry trade organization of the major motion picture studios and including petitioner MCA, Inc., won a limitation on the scope of the right of termination to exclude termination of the contractual right to continue distributing a derivative work.[7] The movie industry recognized that this exception was a departure from the 1909 Act's rule that renewal by a deceased author's statutory successor prevented any further distribution of a movie without the successor's consent, and conceded that

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[6] The right to terminate earlier grants reflected Congress' continued concern that:

> "A provision of this sort is needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited."

H. R. Rep. No. 94-1476, at 124.

[7] *See,* Note, *Rohauer v. Killiam Shows, Inc. and the Derivative Work Exception to the Termination Right,* 52 S. Cal. L. Rev. 635, 645 (1979); Supp. Rep. of Reg. of Copyrights on Gen. Rev. of U.S. Copyright Law, pt. 6, at 71-72, 76; I. Karp, *Copyright Ownership, Transfer and Termination; Exemption and Fair Use,* 13 Bull. Copyright Soc'y U.S.A. 31, 34 (1965); H. Rep. on the Copyright Act of 1976, 94th Cong., 2d Sess., No. 1476, at p.47.

retroactive application of the exception would be improper. Copyright L. Rev., pt. 5, at 307 (Jan. 26, 1965) ["We appreciate that as to subsisting copyrights . . . you have felt that the present renewal system . . . might require preservation"]; Note, *Rohauer,* 52 S. Cal. L. Rev. 635, 645-46; F. Curtis, *Protecting Authors in Copyright Transfers: Revision Bill Section 203 and the Alternatives,* 72 Colum. L. Rev. 799, 823 (1972).[8] Congress specifically declined to apply the derivative works exception of the new termination provisions retroactively, or otherwise alter renewal rights as to existing works. H. Rep. No. 94-1476, at 139; Note, *Rohauer,* 52 S. Cal. L. Rev. 635, 646; Note, *Derivative Copyright and the 1909 Act – New Clarity or Confusion ?,* 44 Brooklyn L. Rev. 905, 930-31 (1978).

Finally, in the 1976 Act Congress also recodified the rule[9] that the "copyright in a . . . derivative work extends

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[8] In fact, the MPAA won the new derivative works exception by specifically arguing that in our modern "era when authors are represented by associations, guilds, agents, lawyers, tax advisors and investment counselors" the renewal rights scheme was outdated. *Memo. Stmt., Copyright Comm. of Motion Picture Association of America, on H.R. 4347,* Before the Comm. on the Judiciary, H. Rep., Subcomm. No. 3, 89th Cong., 1st Sess., at 7 (1965). Petitioners' own lawyer argued that the 1909 Act's renewal scheme was based on "factors that may have existed in the entertainment industry 25, 30 and 50 years ago." Register of Copyrights, Copyright Law Revision, pt. 2, Discussion and Comments on Report on the General Revision of the Copyright Law, 88th Cong., 1st Sess., at 104-05. Thus, the MPAA's arguments conceded that the existing renewal scheme retained vitality and purpose as to grants that occurred, as here, in the first part of this century.

[9] Both the Second and Ninth Circuits have held that under the 1909 Act a derivative copyright attached only to the new

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only to the material contributed by the author of such work, . . . " and that the derivative copyright "does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material." 17 U.S.C. § 103(b). The derivative work exception to the termination right does not run afoul of Section 103 because Congress merely limited the scope of the power to terminate licenses and grants to exclude termination of the contractual right to continued distribution. That is, a movie can be distributed after termination only because the license to distribute is not within the sweep of the termination right, and not because the derivative copyright in the movie confers some type property right in the underlying copyrighted material.[10]

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matter added, and that a derivative copyright did not convey rights in the underlying copyrighted materials. *See, e.g., Gilliam v. American Broadcasting Co.*, 538 F.2d 14, 20 (2d Cir. 1976); *Filmvideo*, 668 F.2d 91, 92-93 (2d Cir. 1981); *Russell v. Price*, 612 F.2d 1123, 1128 (9th Cir. 1979), *cert. denied*, 446 U.S. 952 (1980).

[10] Petitioners are therefore incorrect when they state that the 1976 Act's termination provisions reach the "same result" as *Rohauer*. *See* petition at p.8, n.10. Under *Rohauer*, a derivative copyright confers new property rights in the underlying material allowing continued use of the material without the consent of the copyright owner. *Rohauer* thus allows a derivative copyright to adversely affect the "copyright protection in the preexisting material" by transforming the renewal copyright's exclusive right to exhibit, exploit and copy the preexisting material into a non-exclusive right shared with others who have no contractual or ownership interest in the renewal copyright. This result is irreconcilable with the express provisions of 17 U.S.C. Section 103(b). 1 *Nimmer on Copyright* § 3.07[A] at 3-31 to 3-32.

3. The Decision in *Abend*.

In *Abend*, the Ninth Circuit applied well-recognized principles in reversing the District Court's grant of summary judgment in petitioners' favor.

Cornell Woolrich was an American author who has been credited with creating the "noir" genre of suspense fiction in the 1940's. He was also the author of the story "Rear Window" (the "story"), which was first published in 1942.[11] In 1945, Cornell Woolrich granted the movie rights to six of his stories, including the Rear Window Story, for the flat sum of $9,250, and also agreed that, for no additional consideration, he would assign movie rights in any renewal copyrights he obtained. In 1954, Paramount Pictures produced the motion picture version of the Story,[12] which generated at least $7,880,000, or

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[11] The setting, characters, plot, events and theme of Woolrich's Rear Window Story are easily recognized by anyone who has seen the movie version: Confined to his apartment because of a broken leg, Hal Jeffries takes to observing the lives of his neighbors through his rear window. He begins to suspect that one of his neighbors, Lars Thorwald, has done away with his wife but Jeffries is unable to convince his police detective friend that Thorwald murdered his spouse, who is supposedly out of town. The suspense grows as Jeffries, confined to his apartment with his broken leg, tries to establish Mrs. Thorwald's death by calling and writing Mr. Thorwald to goad him into incriminating himself. Thorwald eventually realizes that Jeffries is his tormentor and attacks Jeffries, all but helpless in his cast, in Jeffries' apartment. Jeffries survives in the suspenseful climax just before his detective friend returns.

[12] The Film depicted Hal Jeffries, confined to his apartment with a broken leg, watching his "rear window neighbors"

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seven times its cost, for petitioners during the first term of the Story copyright.

Cornell Woolrich died in 1968, without surviving spouse or child, and the author's executor, Chase Manhattan Bank, timely renewed the copyright in the Story. The Bank subsequently assigned the renewal copyright to respondent in return for $650 plus 10% of all monies generated by sales of the Rear Window Story or otherwise flowing from the Story.

In 1984, petitioners embarked on a massive re-release of the Film throughout the United States. Petitioners made hundreds of thousands of new film and videotape copies of the Film, and thus the Story embodied in the Film, and publicly performed the new copies in theatres, over free, pay and cable television, and through videotape and videodisc sales and rentals.[13] Petitioners received over $12,000,000 in revenues from their national exploitation of the Story during the term of its renewal copyright alone. Petitioners' re-release of the Film in

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and becoming convinced that Lars Thorwald had murdered his wife. In an earlier lawsuit against him, Alfred Hitchcock testified that 20% of the Rear Window Film is directly derived from the Story, a contribution he obviously had an incentive to minimize.

[13] Petitioners made almost a million dollars worth of new 35-millimeter and 16-millimeter prints of the Film for theatrical exhibition and another $800,000 worth of videocassette and videodiscs of the Film for sale and rental. These thousands upon thousands of copies of the Film are also copies or new versions of the Story embodied in the Film. 2 *Nimmer on Copyright* 8-13.

direct competition with respondent also interfered with his ability to pursue new derivative works such as a Rear Window play.

The Court in *Abend* applied established law of *both* the Ninth and Second Circuits in concluding that petitioners' commercial exploitation of the Story embodied in the Film constituted infringement of the renewal copyright in the Story. Petitioners' derivative copyright did not convey any ownership rights in the material covered by the Story's renewal copyright. *Russell*, 612 F.2d 1123, 1128 (9th Cir.); *Gilliam* 538 F.2d 14, 20 (2d Cir.); *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir. 1951), *cert. denied* 342 U.S. 849.[14] Clearly, then, petitioners' derivative copyright did not convey the right, as a matter of copyright, to use or copy material protected by the Story's renewal copyright.

Neither did petitioners have a contractual right to use the material protected by the Story's renewal copyright: Cornell Woolrich's agreement to convey renewal rights was unenforceable as to his statutory successor who claimed the renewal copyright after his death. *See Miller Music Corp.*, 362 U.S. 373; *DeSylva*, 351 U.S. 570, 582, and authorities above at 3 n.3.[15]

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[14] *See, also, Filmvideo*, 668 F.2d 91, 92 (2d Cir.) ["Since 1909, the courts of this Circuit have held almost without exception that a derivative copyright is a good copyright only with regard to the original embellishments and additions it has made in the underlying work"], and cases cited therein; 1 *Nimmer on Copyright* § 3.07[A] at 3-28 to 3-29. This rule is recodified in the 1976 Act. 17 U.S.C. § 103(b).

[15] *Abend* presents a classic case where a second chance to benefit from uses of a literary work is appropriate. Cornell

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Since petitioners' derivative copyright in the Film does not confer an ownership interest in the Story, and since the deceased author's grant of renewal rights is ineffective because the renewal rights never vested in him, petitioners' unauthorized copying and commercial exploitation of the Story constitutes infringement. Of course, the principle that unauthorized theatrical distribution of a movie would infringe the renewal copyright obtained by a deceased author's statutory successor, dated back to the adoption of the 1909 Act and was universally recognized long before 1954, when petitioners made their Film. *See* above at 3-6 & n.4.

The Court in *Abend* met petitioners' spectre of deadlock between owners of movies and owners of the renewal copyrights in literary works, by noting that the issuance of injunctive relief is always discretionary. *Abend* found that petitioners may exhibit their movie but must simply pay a portion of their profits reflecting the portion of the Film's success attributable to its use of the Story. Thus, a movie studio that reaches an impasse in negotiating with a deceased author's statutory successor [16] need

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Woolrich granted the motion picture rights before the value of the Story was clear, and for a flat sum without a share in the revenue generated from exploitation of the Story. 2 *Nimmer on Copyright*, § 9.02 at 9-24.

[16] Although the possibility of a deadlock has been raised by petitioners, neither the behemoth MCA, Inc. or any of the nine major motion picture studios who filed *amicus curiae* briefs below, have proven a single instance of so-called "copyright death." Instead, they cited an unsubstantiated reference

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only file a declaratory relief action to establish the ability to re-release a movie and the portion of profits to be paid as compensation for the use of material covered by the renewal copyright.

Finally, the Ninth Circuit properly rejected petitioners' argument that the fair use doctrine applied to their commercial exploitation of the Story. Each and every factor described in 17 U.S.C. Section 107, cuts against the possible application of the fair use defense to the "commercial use of a fictional story that adversely affects the story owner's adaptation rights." *Abend*, 863 F.2d 1465, 1482.[17]

4. The Much Criticized *Rohauer* Decision.

The Court in *Abend* declined to apply the reasoning of a three-Judge panel of the Second Circuit in *Rohauer*, thus joining in the almost universal criticism of *Rohauer*'s "new property rights" theory.

In *Rohauer*, the owner of the derivative copyright in the movie "The Son of the Sheik" allowed a videotape of the movie to be broadcast over WNET, an educational

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in a law review article. The evidence below was undisputed that historically studios successfully negotiated with author's statutory successors.

[17] And since petitioners made their Film knowing full well that they would have to renegotiate with the author's statutory successors if the author did not live to renew, there is nothing "fair" about now giving petitioners the windfall of a free license they never bargained to receive. 1 *Nimmer on Copyright*, § 3.07[A] at 3-29.

television station.[18] The movie had been made in 1926 under the author's grant of movie rights in both the original and renewal term of copyright.[19] However, the author died in the first term of copyright and her daughter obtained the renewal copyright in the novel. *Rohauer* reversed the District Court's award of $2,250 to the author's daughter and licensee, finding that the two or three broadcasts did not amount to infringement under the 1909 Act.

Each and every aspect of *Rohauer*'s analysis has been extensively criticized as flawed. As noted above, it is axiomatic that a person may use copyrighted material only if (1) they have a license to use the material or (2) they own a right or interest in the copyright of the material. In *Rohauer*, the author's agreement that the motion picture version of her novel could be distributed during the renewal term was meaningless because she had not survived to claim the renewal copyright. *DeSylva*, 351 U.S. 570, 582; *Miller Music*, 362 U.S. 373, 375. Since the owner of the movie did not have the consent of the owner of the renewal copyright in the novel, the Court in *Rohauer* instead relied on a theory that the derivative

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[18] *Rohauer* noted that only one videotape had been made, and solely to facilitate the broadcast. 551 F.2d 484, 494-95 n.12. This would have been a "one-inch" studio tape, not the VHS or Beta formats that have became available to the public in the mid-1980's, a decade after *Rohauer*.

[19] The author of "Son of the Sheik" was paid $21,000 for the movie rights to her novel in 1925. 551 F.2d 484, 486. Thus, she received almost twenty times the consideration that was paid to Cornell Woolrich for the rights to the Rear Window Story twenty years later.

work conferred new property rights in the novel itself. The new property rights implied by *Rohauer* gave the movie's owner an ownership interest in the subject matter of the novel, entitling the movie's owner to use the novel without the consent of the proprietor of the novel's renewal copyright.

However, this new property rights theory is "plainly wrong." 1 *Nimmer on Copyright* 3.07[A] at 3-31. The Courts of Appeals, including the Second Circuit, have uniformly interpreted Section 7 of the 1909 Act as providing that a derivative copyright only attaches to the new matter added, and as prohibiting the derivative copyright from affecting the scope of the exclusive rights of the underlying copyright. *See, e.g., Gilliam*, 538 F.2d 14, 20; *Reyher v. Children's Television Workshop*, 533 F.2d 87 (2d Cir. 1976); *Russell*, 612 F.2d 1123, 1128. *Rohauer*'s rather selective reading of the legislative history in an attempt to sidestep Section 7, is simply incorrect. *Abend*, 863 F.2d 1465, 1476; 1 *Nimmer on Copyright*, § 3.07[A] at 3-28.1; M. Mimms, *Reversion and Derivative Works Under The Copyright Acts of 1909 and 1976*, 25 N. Y. L. Sch. L. Rev. 595, 608-09 (1980); Note, *Derivative Copyright*, 44 Brooklyn Review L. Rev. 905, 919-21. Even the principal advocate of *Rohauer*, who also happened to be counsel for Killiam Shows,[20] concedes the "weakness" in *Rohauer*'s analysis of the legislative history. P. Jaszi, *When Works Collide: Derivative Motion Pictures, Underlying Rights, and the*

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[20] It is noteworthy that this legislative history was published in a compilation released after the matter had been submitted in *Rohauer*, and therefore was not briefed by the parties. 551 F.2d 484, 488.

Public Interest, 28 UCLA L. Rev. 715, 791 (1981). *Rohauer*'s attempt to distinguish precedent has also been roundly criticized as unconvincing. *Abend*, 863 F.2d 1465, 1473-75; *Russell*, 612 F.2d 1123, 1128, n.16; 1 *Nimmer on Copyright*, § 3.07[A] at 3-28.1 to 3-29; Mimms, *supra*, 25 N. Y. L. Sch. L. Rev. 595, 610-13; Note, *Rohauer*, 52 S. Cal. Law Rev. 635, 658; Note, *Derivative Copyright*, 44 Brooklyn L. Rev. 905, 915-18.[21]

Rohauer's attempt to find support in the new derivative work exception under the 1976 Act has justly been criticized as retroactively changing the law by judicial fiat to deprive a renewal claimant of rights that Congress specifically intended would be preserved. *Abend*, 863 F.2d 1465, 1477-78; Note, *Rohauer*, 52 S. Cal. L. Rev. 635, 658-59; Note, *Derivative Copyright*, 44 Brooklyn L. Rev. 905, 930-31. Further, *Rohauer*'s analogy to the 1976 Act was unduly selective: *Rohauer* ignored Section 103(b) of the 1976 Act, which specifically precludes *Rohauer*'s new property rights theory by restating the rule that a derivative copyright does not convey any rights in the underlying material and may not affect the scope of the underlying copyright's ownership rights. 17 U.S.C. § 103(b); 1 *Nimmer on Copyright* at § 3.07[A] at 3-31 to 3-32.

In light of the foregoing, it is no wonder that the Register of Copyright termed *Rohauer* a surprise (Annual Report of the Register of Copyrights, 1977 at 22), and that

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[21] *Rohauer* never even attempted to distinguish the Second Circuits' cases recognizing the rule that a derivative copyright only attaches to the new matter added. *See Gilliam, Reyher, supra*.

the Second Circuit has confined *Rohauer* to the status of a "minor" "aberration" in that Circuit's law and refused to extend it to other fact situations. *Filmvideo*, 668 F.2d 91, 93.

SUMMARY OF ARGUMENT

Review by certiorari is unnecessary and premature. It is unnecessary because there is no conflict between *Abend* and *Rohauer* since they are readily distinguishable. In *Abend*, a case under the 1976 Act, petitioners made hundreds of thousands of new copies of the derivative work, and thus the underlying work, and reaped over $12,000,000 by exploiting the underlying work in theatres and over free, cable and pay television, and in the videocassette and videodisc markets. In *Rohauer*, a case under the 1909 Act and a decade before the advent of the home videocassette market, a single videotape of the derivative work was made solely to enable three broadcasts over public television. In short, *Rohauer* did not involve the copying and commercial exploitation of an underlying work embodied in a derivative work in theatres and in the new videocassette markets.

Supreme Court review would be premature because in the only instance where the Second Circuit even mentioned *Rohauer* again, the Second Circuit has narrowly construed *Rohauer* and reaffirmed the rule that a derivative copyright creates no rights in the underlying material. *Filmvideo*. The Second Circuit is unlikely to extend *Rohauer* to unauthorized commercial exploitation of a copyrighted work in an *Abend*-type fact situation because

of the almost universal criticism of *Rohauer*'s flawed analysis. *Rohauer*'s ruling that the owner of a derivative copyright obtained new property rights in the subsisting copyrighted materials (1) disregarded Section 7 of the 1909 Act and misinterpreted its legislative history; (2) conflicted with the decisions of the Second Circuit prior to, contemporaneous with and after *Rohauer*; and (3) improperly made retroactive a provision of the 1976 Act which Congress refused to apply retroactively. Furthermore, the Second Circuit will now be bound by Section 103(b) of the 1976 Act, which expressly prohibits the new property rights theory of *Rohauer*. It is therefore premature to declare a direct conflict between the Ninth and Second Circuits.[22]

Neither is review by certiorari necessary to consider petitioners' argument that the fair use defense may apply. There is no conflict among the Circuits: no Court has ever held, or even hinted, that the fair use defense applies to the unauthorized copying and performance of a literary work embodied in a derivative work, for commercial uses and in direct competition with the owner of the renewal copyright in the literary work. Ultimately, petitioners simply attempt to use the fair use defense to give vitality to the author's consent, which is made wholly ineffective by statute and established case law. The Court in *Abend*

[22] If, as petitioners claim, *Abend* applies to hundreds of movies, petitioners or any other studio need only file a declaratory relief action in the Second Circuit to determine if that Court will extend *Rohauer* or apply *Abend* to unauthorized commercial exploitation of matter protected by a valid renewal copyright.

unanimously and properly rejected the application of the fair use defense here.

The petition should be denied.

ARGUMENT

1. UNTIL SUCH TIME AS THE SECOND CIRCUIT DECLINES TO FOLLOW THE 1976 ACT AND ITS OWN CASES AND EXTENDS *ROHAUER* TO *ABEND*-TYPE FACTS, THERE IS NO CONFLICT IN THE CIRCUITS.

(a) *Abend* and *Rohauer* are Distinguishable on Their Facts.

In *Rohauer*, the defendant allowed a broadcast of a movie over an educational television station for a nominal fee. 551 F.2d 484, 486-87, 494-95, n.12. *Rohauer*'s narrow holding is simply that under the 1909 Act, an underlying renewal copyright is not infringed by the making of a single videotape copy of a preexisting print of a motion picture based on an underlying work, and broadcasting that videotape over an educational television station. *Id.* This holding is indeed a "minor" "aberration" in the law of the Second Circuit, which has repeatedly reaffirmed the rule that a derivative copyright does not convey any rights in the underlying copyrighted material. *Filmvideo*, 668 F.2d 91, 93.

In *Abend*, unlike *Rohauer*, the owners of the derivative work commercially exploited the underlying copyrighted materials as part of a multi-million dollar re-release of the derivative work during the renewal term. Petitioners made thousands of new copies of the Rear Window Film,

and thus thousands of copies of the Story embodied in the Film, and exhibited those copies in theatres throughout the United States and its territories, commonwealths and possessions. Petitioners also commercially exploited the Rear Window Story in the new home videotape market by making another $800,000 worth of videocassette and videodisc versions.[23] Petitioners' use of the Story generated over $12,000,000 in revenue during the renewal term alone. *Abend* is thus fundamentally different from *Rohauer*, where the defendant only made one videotape copy for broadcast over public television. *Abend*, 863 F.2d 1465, 1477.[24]

The Second Circuit has never applied *Rohauer* to the unauthorized commercial exploitation of matter protected by a renewal copyright. In fact, the Second Circuit has never applied *Rohauer* in any case brought under the 1976 Act, which expressly and unambiguously precludes *Rohauer*'s new property rights theory. 17 U.S.C. § 103(b).

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[23] Moreover, in *Abend* the author's grant did not extend to videocassettes. The grant encompassed exhibition by "cinematography or any process analogous thereto," and "by television or any process *of transmission* now known or hereafter to be devised. . . ." [Emphasis added]. Videocassettes are neither "cinematography," "television" nor a "process of transmission." *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 852-53 (9th Cir. 1988).

[24] *Abend* and *Rohauer* are also distinguishable because here petitioners' actions have directly interfered with the rights and the value of the renewal copyright in the Story. Petitioners' unilateral and widespread release of the Film prevented production of a new version of the Story. There was no indication in *Rohauer* that the renewal claimant was pursuing other derivative works based on the novel "The Son of the Sheik."

In the only instance where the Second Circuit has even mentioned *Rohauer*, the Court has refused to extend it to other fact situations. *Filmvideo*, and *infra* at n.27. Since the Second Circuit has never held that the unauthorized commercial exploitation of material covered by a valid renewal copyright is not infringement under the 1976 Act, there is no direct conflict between the Circuits.

(b) The Second Circuit will Most likely Apply *Filmvideo, Ricordi, Gilliam, Fitch,* and the 1976 Act, not *Rohauer,* to the Commercial Exploitation of a Derivative Work Without Authority from the Owner of the Renewal Copyright in the Underlying Literary Material.

Supreme Court review would be premature because the Second Circuit, if faced with *Abend*-type facts, will either continue to narrowly construe *Rohauer* or altogether abandon that decision and its new property rights theory. Before the Second Circuit could extend *Rohauer*'s new property rights theory to unauthorized copying and commercial exploitation of material protected by a renewal copyright, the Court would run headlong into its own precedent and the provisions of the 1976 Act.

It was the established rule of the Second Circuit before *Rohauer* that a derivative copyright only protected the matter added and did not attach to the underlying material.[25] This rule was reaffirmed by two other

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[25] *G. Ricordi & Co.*, 189 F.2d 469, 471; *American Code Co. v. Bensinger*, 282 Fed. 829, 834 (2d Cir. 1922); *London v. Biograph Co.*, 231 Fed. 696, 698-99 (2d Cir. 1916); *Grove Press, Inc. v. Greenleaf Publishing Co.*, 247 F. Supp. 518 (S.D.N.Y. 1937); *Stodart v. Mutual Film Corp.*, 249 Fed. 507, 510 (S.D.N.Y. 1917), *aff'd per curiam*, 249 Fed. 513 (2d Cir. 1918); *Eichel v. Marcin*, 241 Fed. 404, 411 (S.D.N.Y. 1913).

appellate decisions in the Second Circuit the very same year *Rohauer* was decided.[26] The Second Circuit reaffirmed this rule after *Rohauer*.[27] And Section 103(b) of the 1976 Act now unambiguously recodifies this rule and precludes judicial implication of new property rights in the underlying material. These cases and the 1976 Act are formidable, if not insurmountable, hurdles to the Second Circuit's ability to extend *Rohauer* to *Abend*-type situations.

The Second Circuit would also have to face the almost universal consensus that each aspect of *Rohauer*'s analysis was flawed. *Rohauer* misinterpreted Section 7 of the 1909 Act and its legislative history. 1 *Nimmer on Copyright*, § 3.07[A] at 3-27 to 3-28.1; Mimms, *supra*, 25 N. Y. L. Sch. L. Rev. 595, 607-09; Note, *Rohauer*, 52 S. Cal. L. Rev. 635, 657-58; Note, *Derivative Copyright*, 44 Brooklyn L. Rev. 905, 918-21. *Rohauer* failed to convincingly distinguish precedent of the Second Circuit. *Abend*, 863 F.2d 1465, 1473-75; *Russell*, 612 F.2d 1123, 1128, n.16; 1 *Nimmer on Copyright* § 3.07[A] at 3-28.1 to 3-29; Mimms, *supra*, 25

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[26] *Gilliam*, 538 F.2d 14, 20; *Reyher v. Children's Television Workshop*, 533 F.2d 87, 89-90 (2d Cir. 1976).

[27] *Filmvideo*, 668 F.2d 91, 92-93. It is noteworthy that in *Filmvideo* the Court declined to apply *Rohauer* and instead followed the Ninth Circuit's lead in *Russell v. Price*, 612 F.2d 1123 (9th Cir. 1979). In *Filmvideo* and *Russell* the Courts held that if a derivative work falls into the public domain, only the matter added to the underlying material is unprotected. To reach this result, both Circuits refused to apply or extend *Rohauer* and instead reaffirmed the rule that a derivative copyright only attaches to the new matter added and does not apply to the underlying material protected by a renewal copyright. 668 F.2d 91, 92-93; 612 F.2d 1123, 1128.

N.Y. L. Sch. Rev. 595, 610-13. *Rohauer*'s analysis of the "equities" was incomplete [*See Abend*, 863 F.2d 1465, 1476-77; 1 *Nimmer on Copyright* § 3.07[A] at 3-30]; and failed to adhere to this Court's admonition that the workings of the renewal scheme are a matter for Congressional action, not judicial intervention. *Miller Music*, 362 U.S. 377, 378. And *Rohauer*'s analogy to the 1976 Act's derivative works exception improperly extended retroactively a provision which Congress purposefully made prospective only. *See* discussion above at 7-9; *Abend*, 863 F.2d 1465, 1477-78. Furthermore, *Rohauer* selectively chose from the 1976 Act, ignoring the Act's recodification of the rule that prohibits *Rohauer*'s new property rights theory. 17 U.S.C. § 103(b).

Under these circumstances, it is likely if not certain that the Second Circuit will apply Section 103(b) of the 1976 Act and well-established and recently reaffirmed Second Circuit case law, to agree with *Abend* that unauthorized copying and commercial use of material covered by a renewal copyright constitutes infringement.

2. THE STATUTE PRECLUDES THE APPLICATION OF THE FAIR USE DEFENSE TO THE UNAUTHORIZED COMMERCIAL USE OF A FICTIONAL WORK IN COMPETITION WITH THE COPYRIGHT OWNER.

Throughout this century motion picture companies have made movies accepting the risk that an author's death during the first term of copyright would vest the renewal copyright in his widow or other successor and they would have to negotiate a new license before continuing to commercially exploit the movie. Petitioners

also knowingly accepted this risk when they produced the Film. Now, petitioners cite the author's ineffective consent to try to invoke the fair use defense, unabashedly arguing that the defense should allow them to do what the renewal scheme prohibits. However, applying the defense here on the basis of the author's first term consent would completely frustrate the renewal statute by binding deceased author's statutory successors with the author's consent which Congress chose to make inoperative.

Furthermore, the fair use doctrine would be bloated beyond recognition and its statutory limitations rendered meaningless if the Court were to immunize the massive copying and exploitation of the whole of a copyrighted fictional work for purely commercial purposes, directly interfering and in competition with the copyright proprietor's exclusive rights as owner of a copyrighted literary work. Section 107 codifies the fair use defense and lists uses such as news reporting, teaching and research, thereby demonstrating that commercial exploitation of a film version of a copyrighted fictional literary work is something quite different than the fair uses contemplated by Congress. Moreover, Section 107 lists four factors to be considered in deciding whether particular uses are within the defense, and every factor militates against the defense here. *Abend* 863 F.2d 1465, 1480-82.[28]

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[28] One factor is "the effect of the use upon the prospective market for or value of the copyrighted work." 17 U.S.C. § 107(4). Petitioners attempt to avoid their concession at oral argument that the re-release of the Film interfered with respondent's ability to pursue new versions of the Story, but

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This Court would have to completely disregard the provisions of Section 107 to apply the fair use defense to the unauthorized commercial exploitation of a literary work in competition with its copyright proprietor. Moreover, petitioners' argument is ultimately a request that the Court give effect, in the guise of a fair use defense, to the author's consent which is rendered ineffective by statute. This attempt to emasculate Section 107 in order to obtain indirectly what the statutes and cases prohibit directly, was unanimously and properly rejected by the Court in *Abend*.

3. CONCLUSION.

Abend is a fair, principled and workable decision based upon Supreme Court precedent and statute uniformly interpreted throughout this century. *Rohauer*, on the other hand, is a faulty decision of narrow application, which the Second Circuit has already relegated to the status of a "minor" "aberration." Moreover, after *Rohauer* the Second Circuit has reaffirmed the basic principle which led to the result in *Abend* and which disposes of

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respondent offered substantial undisputed evidence of this interference. In any event, petitioners cannot dispute that, as a general proposition, release of an earlier motion picture version will interfere with the release of new versions: This commonsense conclusion is validated by the established practice in the industry of coordinating releases of new and preexisting versions to avoid the head-on competition that would prove disastrous to new versions. Jaszi, *supra*, 28 UCLA L. Rev. 715, 740 n.67.

Rohauer: a derivative copyright only applies to the new matter added and does not convey rights in the underlying material. *Filmvideo*. This rule is now undeniably the law. 17 U.S.C. § 103(b).

The Petition should be denied because:

(1) There is no conflict among the Circuits since *Rohauer* and *Abend* are distinguishable on their facts;

(2) The Second Circuit is unlikely to extend *Rohauer* to commercial exploitation of material covered by a renewal copyright without the renewal copyright owner's consent, especially in view of the subsequent adoption of Section 103(b) of the 1976 Act; and

(3) No Court has ever suggested, much less held, that despite the provisions of Section 107 of the 1976 Act the fair use defense would apply to the massive copying and commercial exploitation of a fictional story that adversely affects the copyright owner's exclusive rights.

Respectfully Submitted,

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